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NORWEST CORPORATION

ECONOMIC INDICATORS

CORPORATE ECONOMICS DEPARTMENT - DR. SUNG WON SOHN, CHIEF ECONOMIST NOVEMBER 5, 1991

Fall 1991 Regional Economic Survey

Recession Having Only Minimal Impact

The regional economy has weathered the national recession reasonably well. Growth has slowed in some metropolitan areas, but others remain quite strong. The weakest cities are those with a glut of real estate along with exposure to defense cuts and heavy reliance on the battered computer industry.

The largest cities in Nebraska, South Dakota and Montana plus Duluth and St. Cloud in Minnesota, ranked among the healthiest urban areas in the region. Most of these cities have enjoyed strong job growth. Metropolitan areas in Iowa, Wisconsin and northern Colorado also scored high.

Colorado, Iowa and Montana had the strongest nonurban communities in the region. North Dakota's rural communities appeared weakest, but a rebound in crop yields took some stress off farm-dependent towns.

Land prices increased little during the past year. Weakening farm income, especially for livestock producers, will prompt farmers to limit capital outlays in coming months.

These findings were derived from our 31st semiannual survey of bankers in Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin. Recently the survey was extended to include Colorado, Wyoming and selected cities in Arizona, Illinois and Indiana. Conducted in mid October, this survey drew responses from more than 1,200 bankers.

Twin Cities Still Weak

About 60 percent of the bankers rated the local economy fair, 9 percent poor and only 30 percent good; slightly lower marks than last spring. Pointing to sluggish employment growth, low consumer confidence and weak corporate profits, three-fourths of the bankers felt the local economy was still in a recession. Nearly 60 percent of the bankers expected little change in the economy during the next six months, while 40 percent predicted moderately better conditions.

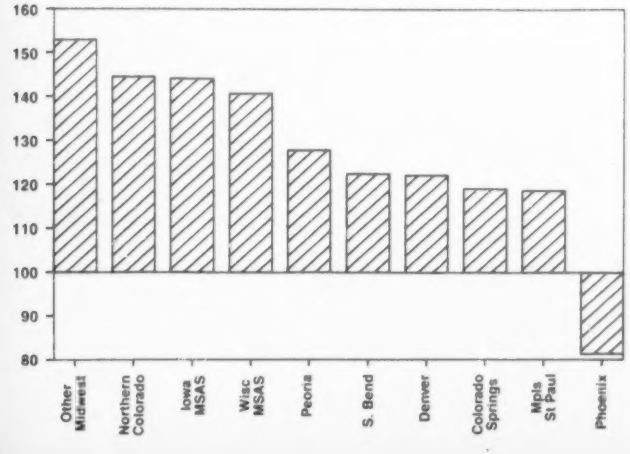
In September, nonfarm employment was up a scant 0.5 percent from a year ago, largely due to strong growth in health care and business services. Construction employment was down 6 percent. Manufacturing jobs slipped 2 percent, reflecting continued restructuring of the computer industry, cuts in defense spending and weak housing-related manufacturing. However, bankers gave the food-processing industry strong marks.

Auto sales were considered quite weak and general retail sales fair to weak. Through August, total retail sales in the Twin Cities were up only 3.6 percent from year ago, not quite keeping up with inflation, but better than the mere 1 percent gain nationally. Led by discount stores, local department store sales were up 6.2 percent.

Used-home sales were rated fair to good, while homebuilding was considered fair to weak. Through

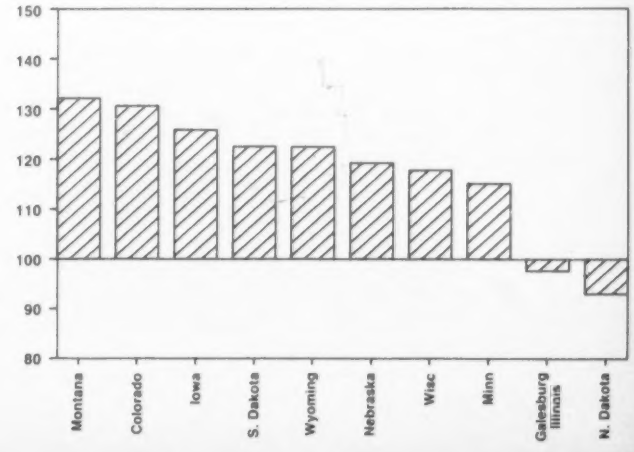
URBAN BANKERS CONFIDENCE INDEX

Weak < 100 Fair = 100 Strong > 100



NONURBAN BANKERS CONFIDENCE INDEX

Weak < 100 Fair = 100 Strong > 100



Metropolitan Areas
Current Economic Conditions Index

	Overall Rating	Auto Sales	Retail Sales	Home Bldg	Comm R.E.	Mfg.	Tourism Ind.
Mpls-St. Paul	116	54	78	90	26	90	90
Iowa MSAs	150	87	109	163	110	109	108
Wisc. MSAs	147	71	97	144	85	120	139
Other Midwest	161	80	117	139	74	117	147
Denver	117	70	85	132	36	91	156
Co. Springs	108	88	92	111	25	117	181
N. Colorado	153	106	123	125	37	106	144
South Bend	115	56	81	81	42	100	144
Peoria	138	81	119	156	100	100	119
R.I.-Moline	130	70	85	115	100	55	175
Phoenix	70	40	40	85	0	70	130

Weak < 100 Fair = 100 Strong > 100

Nonurban Communities
Current Economic Conditions Index

	Overall Rating	Main Street	Home Market	Mfg	Farm Ranch	Tourism Ind
Colorado	136	97	125	86	106	135
Iowa	135	91	143	111	112	95
Minnesota	121	80	113	110	98	103
Montana	136	111	129	98	136	150
Nebraska	129	91	124	113	113	97
North Dakota	90	58	59	98	90	66
South Dakota	131	101	112	112	118	98
Wisconsin	120	85	121	115	70	118
Wyoming	127	94	136	146	150	131
Galesburg, IL	100	81	137	70	100	80

Weak < 100 Fair = 100 Strong > 100

September, housing permits were down 14.2 percent from a year ago. Single-family permits fell only 1.4 percent, but multifamily permits plunged 60 percent.

The troubled commercial real estate sector was rated mostly weak to very weak. At mid-year, office vacancy rates in downtown Minneapolis were at 17 percent and climbing. Substantial additional increases are expected upon completion of four major office buildings late this year and into 1992. A glut of retail space also exists.

Loan demand is weak, as evidenced by a 1.5 percent decline in loan volume from a year ago, reflecting both lender and borrower caution. Most bankers said they tightened credit standards for commercial loans during the past six months; 38 percent tightened credit standards for consumer loans.

Bankers reported that 1.5 percent of all loans were nonperforming, slightly fewer than last spring. The median response was unchanged at 1 percent. About 35 percent of the bankers expect moderately to substantially higher loan charge-offs this year, while almost an equal percentage anticipate the opposite.

Iowa Cities Score High

Iowa cities ranked among the strongest in the Upper Midwest. Economic conditions were rated good in virtually all Iowa cities. Exceptions include Ames, Cedar Falls, Council Bluffs and Davenport which were rated mostly fair. Nearly half the bankers said they never experienced a recession; another 18 percent said the local recession was over.

Des Moines benefited from considerable recent expansion. Most segments of Cedar Rapids' economy are expected to remain fairly strong. In Dubuque, robust construction demand and riverboat gambling have offset weaknesses in recession-sensitive industries. Waterloo reported virtually no layoffs; wholesale and service industries are fairly strong. Retail trade is good, but not great. Major highway projects are helping Cedar Falls. Ames will feel the impact of a salary freeze at Iowa State University, while many of the new jobs in Council Bluffs are near minimum wage.

Bankers rated used-home sales and residential construction strong. Through September, single-family permits in Iowa were up 9 percent from last year's strong level. Commercial real estate was considered at least fair, the highest rating reported for metro areas.

Manufacturing was mostly fair. Food processing scored high, computer and housing-related manufacturing fairly good and farm machinery mostly fair. Bankers said auto sales were soft and retail

sales fair.

But the national recession appears to have had some adverse impact on Iowa. After a strong surge the past three years, Iowa's employment growth has leveled off. Manufacturing, retail, government and transportation jobs are down modestly. However, health care, education, finance and insurance continue to show nice gains. Most of Iowa's urban bankers anticipate modest economic growth in the next six months.

Loan volume increased an average of 6 percent from a year ago, among the strongest growth in the Upper Midwest. On average, 0.8 percent of all loans were nonperforming; the median response was 0.5 percent--tied with Wisconsin bankers for the best record in the region. Nearly 60 percent of Iowa's bankers expect to write off fewer loans this year, while 18 percent anticipate increased charge-offs.

Wisconsin Cities Healthy

Three-fifths of the urban bankers rated economic conditions good and the remainder fair. The strongest cities included Appleton, Wausau, Madison, Green Bay, Eau Claire and Janesville. Milwaukee was rated mostly fair as fierce competition has led to layoffs. Other cities rated mostly fair included La Crosse, Superior, Stevens Point and Fond du Lac. Half of the bankers said their urban areas never experienced a recession. Another 14 percent felt the local recession had ended, but most bankers anticipate only modest growth during the next six months.

Reflecting the impact of the national recession, Wisconsin's nonfarm employment has been flat this year. Both manufacturing and construction jobs are down 2 percent from a year ago. Retail trade employment is stagnant, but growth continues in services, insurance and government.

The housing sector was graded mostly fair to strong. Farm machinery and auto-related industries were considered weak, but housing-related products, food processing and especially converted paper products lent strength.

Retail sales, especially auto sales, were considered weak. Through August, retail sales in Wisconsin were down 2.4 percent from a year ago, as durable-goods purchases plunged 10.7 percent. Milwaukee's retail sales were off 1.5 percent, but department store sales, including discounters, rose 6.7 percent.

Loan volume averaged 2.2 percent more than a year ago; the median response showed a 4 percent gain. Two-thirds of the bankers tightened credit standards for commercial loans, while most didn't change standards for consumer loans. Nonperforming loans averaged 0.65 percent of all loans, well below the survey average.

Midwest Cities Robust

Economic conditions in Duluth, St. Cloud, Sioux Falls, Rapid City, Omaha, Lincoln, Billings and Great Falls were rated good, while conditions in Bismarck, Grand Forks, Fargo, Moorhead and Rochester were rated fair. Nearly 45 percent of the bankers said their local area never experienced a recession; another one-fourth said the local recession had ended.

Each of these cities serve as a major center for shopping, health and other services. Most of these cities have enjoyed strong job growth.

Omaha's nonfarm employment shot up 4.7 percent during the past 12 months. Almost all sectors of the economy experienced growth, including a big jump in manufacturing and construction employment. Jobs in Lincoln are up 2.2 percent from a year ago.

Sioux Falls experienced a 3.3 percent gain in jobs, led by a big jump in construction and manufacturing payrolls. Jobs are up 2.2 percent in Rapid City.

Bismarck posted a 4.7 percent gain, led by construction, services, retail trade and transportation. Employment is up 3 percent in Grand Forks and 2.3 percent in Fargo-Moorhead.

St. Cloud posted a 2.5 percent increase in jobs, but employment rose only 0.8 percent in Rochester.

The housing market was rated strong in many of these midwest cities. For example, so far this year, single-family permits are up about 10 percent in both Omaha and Lincoln and 20 percent in Sioux Falls.

Food processing was rated strong in many of these cities, giving a boost to manufacturing employment.

The commercial real estate market and auto sales typically were considered weak, but general retail sales were rated fair to strong, the most favorable response given by urban bankers. Tourism also scored fairly high.

During the past 12 months, loans rose an average of 3.9 percent at the banks in these midwest cities. On average, 1.4 percent of their loans were nonperforming; the median response was 0.75 percent.

South Bend Fair

Economic conditions in the South Bend and Elkhart areas were rated mostly fair. South Bend's employment is creeping up only slowly; Elkhart's employment is unchanged from a year ago. Auto sales were the weakest, followed by retail sales and home construction. Through September, single-family housing permits in South Bend were down 4.2 percent; multifamily units showed a sharp drop. Commercial real estate and manufacturing were rated fair. However, defense-related companies and tourism scored high. Most bankers expect moderately improved conditions during the next six months.

Loan volume dropped an average of 3 percent. Nonperforming loans were a relatively low 0.5 percent. Most banks expected little change in loan charge-offs this year.

Peoria Outlook Uncertain

Peoria's economy was rated fair to good. Home construction scored high, with single-family permits up 4.2 percent during the first nine months of 1991, but multifamily units dropped. Commercial real estate was rated fair. Auto sales have been weak, but other retail sales were

considered fair to strong.

Nonfarm employment is down nearly 1 percent from a year ago. Manufacturing jobs fell 3.5 percent. Nevertheless, manufacturing received fair marks as food processing and housing-related manufacturing scored well.

Looking ahead, Peoria's economy could improve moderately or become a great deal worse depending on the outcome of labor negotiations at Caterpillar.

Nonperforming loans averaged 0.75 percent at Peoria banks, less than the average for all urban banks. Nevertheless, some banks tightened credit standards this year. Peoria banks reported a relatively healthy 9.5 percent jump in loan volume during the past 12 months, the biggest gain for urban-area banks in the survey.

Denver Rated Fair

The national recession has slowed Denver's job growth this year. Durable manufacturing jobs are down 4.1 percent from a year ago, reflecting layoffs by defense contractors and other high-tech firms. Further layoffs are anticipated, giving the manufacturing sector a fair to weak rating. The overbuilt commercial real estate sector also continues to drag down appraisals of Denver's economy.

But other segments present a brighter picture. The housing market is showing strong improvement, retail sales gains are among the strongest in the nation and commercial real estate problems continue to diminish.

The central business district has experienced a dramatic reduction in office vacancy rates, which dropped from 31 percent in early 1987 to 20.3 percent in mid 1991.

Used-home sales were rated strong, with the median sales price rebounding to within 1 percent of the 1987 peak. A dwindling supply of existing homes for sale is spurring residential construction.

C. Springs Sluggish

Suffering from a glut of real estate and cuts in manufacturing jobs, Colorado Spring's economy was rated only fair, among the weakest ratings for Colorado cities. In August, employment was up only 1.6 percent from a fairly weak level a year ago.

Bankers rated the commercial real estate sector weak to very weak. Lease rates are flat and absorption weak as companies downsize and shed excess space.

While it will take Colorado Springs a number of years to erase the widespread effects of the famed real estate bust, the underlying economy is sound. The high-tech sector shows promise with new employers arriving. Military payrolls will continue to be an important stablizer.

Rated strong to very strong, tourism will also continue to add vitality to the local economy.

Northern Cities Strong

Almost all bankers in Fort Collins and Loveland rated economic conditions good, close to the top for the cities included in this survey. Boulder and Longmont were rated fair to good, down a bit from last spring due to slower employment growth.

Wyoming Improving

Bankers indicate that Wyoming's economy continues to improve. About 36 percent gave the economy good marks, the remainder fair. Continuing the climb that began in late 1987, nonfarm jobs are up 1.1 percent from a year ago. Leading the way, construction jobs are up nearly 4 percent, wholesale trade 2 percent, manufacturing 2.1 percent and services 1.8 percent. Mining employment is up 1.6 percent. Most bankers look for continued modest growth during the next six months.

More than half the bankers rated the housing market strong to very strong, but mainstreet businesses were scored only fair. Tourism, manufacturing and especially farming/ranching were rated among the strongest for nonurban areas. Wyoming benefited from a banner tourist season this year and strong calf prices. However, lamb prices have been poor. Only 5 percent of farm borrowers are experiencing negative cash flow this year--the lowest figure among the agricultural states surveyed. The median figure was a mere 2 percent. However, declining calf prices are expected to weaken farm earnings next year.

Nonperforming loans at Wyoming

ECONOMIC CONDITIONS IN AGRICULTURAL AREAS

	Overall Conditions		Mainstreet Business	
	Regional Centers	Small Towns	Regional Centers	Small Towns
Iowa	139	133	102	89
Minnesota	137	116	90	77
Montana	150	131	122	107
Nebraska	134	125	116	82
N. Dakota	106	86	75	56
S. Dakota	132	129	105	100
Wisconsin	143	118	93	84
Colorado	145	133	116	91
Wyoming	100	131	50	100

Weak < 100 Fair = 100 Strong > 100

HOUSING AND MANUFACTURING CONDITIONS

	Housing Market		Mfg. Sector	
	Regional Centers	Small Towns	Regional Centers	Small Towns
Iowa	162	139	109	111
Minnesota	141	106	118	108
Montana	148	124	77	111
Nebraska	133	121	107	117
N. Dakota	113	49	108	95
S. Dakota	129	107	105	113
Wisconsin	127	120	136	113
Colorado	144	121	107	79
Wyoming	125	137	138	148

Weak < 100 Fair = 100 Strong > 100

banks averaged 2.5 percent; the median was only 1.5 percent. There were few troubled farm loans. About 55 percent of the bankers expect moderately to substantially lower charge-offs this year; only 12 percent anticipate higher write-offs of loans. Loan volume increased a moderate 4.3 percent this year.

Phoenix Hit By Real Estate Bust

The Phoenix economy was rated fair to poor, reflecting a very weak commercial real estate sector. The vacancy rate for multi-tenant office buildings averaged 26 percent in June, but that was down from a peak of 28.4 percent a year ago. Virtually no new building is taking place, which should allow vacancy rates to trend downward. Nevertheless, rents and property values will remain depressed for quite some time.

The retail store market is also overbuilt, but the construction of new shopping centers continues. While large malls with good anchor tenants are doing okay, small unanchored strip centers suffer extremely high vacancy rates.

The residential real estate market also suffered from massive overbuilding in the mid 1980s, causing building permits and the construction industry to plunge in the late 1980s. Although bankers still rate the housing sector weak, apartment vacancy rates are now trending downward.

The manufacturing sector was also considered weak, suffering from a troubled computer industry and cuts in defense spending. Manufacturing jobs are down 3.4 percent from a year ago. The utility industry also slashed payrolls this year.

Bankers gave auto sales and general retail sales weak marks. Through August, total retail sales in the Phoenix metropolitan area were up only 1.9 percent from a year ago. Department store sales rose a healthy 8.9 percent, but sales at the more comprehensive group of general merchandise, apparel and furniture stores increased only 2 percent.

Despite this long list of troubles, overall employment in the Phoenix area continues to slowly head upward. Layoffs in construction and manufacturing have been offset by growth in wholesale and retail trade, business services, health care and education. Population growth remains more than double the national average, suggesting a bright future once real estate problems have been conquered.

Nonperforming loans averaged 3.8 percent at banks in the Phoenix area, prompting most bankers to tighten credit standards for commercial loans. Net loan charge-offs are expected to remain about the same as a year ago. Loan volume was moderately below year ago levels.

Nonurban Communities Strength Varies

With a few exceptions, bankers from small and medium-sized communities rated their local economy mostly fair to good. Colorado, Iowa, and Montana essentially tied for the highest scores. Half of the rural bankers in these states rated economic conditions good; only a small percentage called local conditions poor.

Scores for Iowa and Nebraska were down somewhat from last spring, in part reflecting a plunge in cattle-feeding profits and weaker hog prices.

Montana's economic ratings were up substantially from our spring survey. Crops were excellent after several years of drought. Strong calf prices also lent support, despite recent declines.

Ratings for western Montana were especially strong, reflecting an influx of retirees, a robust tourist industry and a good flow of Canadian shoppers. Western Montana also has a significant number of medium-sized cities, including university towns and the state capital. However, the timber industry is still experiencing difficult times.

Colorado's high ranking stems from a strong tourist industry, an influx of retirees, work on several infrastructure projects and a well-diversified farm sector.

South Dakota, Nebraska and Wyoming were fairly close behind the first group of states. Wyoming's economy is on a rebound from depressed conditions in the 1980s.

Minnesota and Wisconsin were next in line, followed by Galesburg, Illinois and neighboring towns. Galesburg's employment has been fairly flat, with a drop in manufacturing employment.

North Dakota reported the weakest conditions; 22 percent of the bankers rated the economy poor, 70 percent fair and only 4 percent good. Nonetheless, these marks are higher than those given last spring. After several years of drought, many areas received a reasonable crop, taking some of the stress off farm communities. But some localities still had subpar crops. Bright spots include profitable calf prices and increased numbers of shoppers from Canada.

Some North Dakota bankers said the oil sector was weak as major oil companies are moving out of the area.

As shown in the tables below, regional trading centers (medium-sized towns) are stronger than most small towns. Mainstreet businesses in small towns continue to lose out to regional shopping centers. Expansion by Wal-Mart, K-Mart and other discount stores typically has cut into sales by other retailers throughout the region.

Housing and manufacturing are also usually stronger in regional trading centers.

Loans are up an average of 6.7 percent from a year ago at nonurban banks. Iowa bankers reported the largest increase, averaging 8.9 percent.

About 1.8 percent of all loans at nonurban banks were non-performing; the median response was 1 percent. Among nonurban bankers participating in this survey, Colorado had the highest level of problem loans, averaging 3.2 percent. Colorado's median response was 2 percent. This probably reflects a higher incidence of troubled commercial real estate loans in Colorado.

About 44 percent of the nonurban bankers expect no change in the level of loan charge-offs this year, while those

expecting fewer charge-offs (32 percent) outnumber those anticipating increased charge-offs (24 percent).

Weaker Farm Earnings

Most bankers anticipate weaker farm earnings during the next 12 months, particularly for livestock producers. After several profitable years, cattle feedlots are losing money as cattle prices plunged in August amid a glut of heavyweight cattle and weak consumer demand. Prices are expected to improve late this year, but profits won't be as large as in the past.

Feeder cattle prices have remained reasonably strong, but bankers fear feeder-cattle prices will be trending downward over the next few years as cattle herds continue to rebuild.

A big jump in hog production this fall has caused hog prices to plunge to or below break-even levels for farrow-to-finish operations. Farmers who are fattening feeder pigs are already losing money. Further increases in hog production next year spells the end to the high profits enjoyed the last couple of years.

Milk prices have improved from last spring's depressed level, but prices are likely to head lower next year as milk production begins to head upward once again. Meanwhile, Congress is debating legislative proposals aimed at boosting milk prices.

With tight supply levels, corn and wheat prices will remain sensitive to weather scares. However, margins of crop farmers typically have been cut starting this year as government subsidies are paid on fewer acres. But after several years of drought, farmers in eastern Montana and much of North Dakota will benefit from significantly improved yields.

Land Price-Rise Slowed

Land prices are up an average of 2.7 percent from a year ago; the median response was 2 percent--the smallest gain in recent years. More than half of the bankers located in Iowa, Wisconsin and North Dakota reported no increase in land prices. The majority of bankers predicted little change in land prices during the next 12 months.

Weather problems during the growing season and lower livestock earnings are important factors behind the slower rise in land prices. In addition, land prices are already quite high relative to income, bidding the profit out of crop farming.

Farm Credit Conditions

Bankers estimate that about 13.3 percent of their farm borrowers will experience negative cash flow this year, compared with 9.6 percent last spring and 7.7 percent a year ago. Lower livestock-feeding profits and depressed milk prices earlier this year are the major reasons for the worsening cash flow. However, only about 5 percent of the Wyoming farmers and 7.7 percent of the Montana farmers experienced negative cash flow. These lower figures reflect heavy emphasis on cow-calf operations which remain profitable.

On average, bankers estimate that about 1.5 percent of their farm customers quit farming during the past 12 months, basically unchanged from last spring. The exit rate was highest in Wisconsin, reflecting previously depressed milk prices in that important dairy state.

Bankers reported that, on average, 1.6 percent of their farm loans were nonperforming; the median response was 0.5 percent. These figures are unchanged from last spring. Based on the median response, Wisconsin and North Dakota bankers had the highest level of nonperforming loans.

By Dr. Larry J. Wipf
Director of Regional Economics

Indicators is a bimonthly publication of the Economics Department of Norwest Corporation. For further information, contact Dr. Sung Won Sohn, (612) 667-7498 or Dr. Larry J. Wipf, (612) 667-9281. For subscriptions information please contact your local Norwest Banker.

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NORWEST CORPORATION

ECONOMIC INDICATORS

CORPORATE ECONOMICS DEPARTMENT - DR. SUNG WON SOHN, CHIEF ECONOMIST MAY 6, 1992

Spring 1992 Regional Economic Survey

National Recession Impact Moderate

The national recession slowed regional economic growth during the past year. The Twin Cities and South Bend, Indiana were the areas most affected. The largest cities in South Dakota, North Dakota, Nebraska, Wisconsin and Minnesota (other than the Twin Cities) were the least affected. One third of the bankers in this latter group said the national recession had no noticeable impact on their local area.

Even at its worst, the regional recession was less severe than nationally. Only a handful of bankers felt the national recession had substantially weakened their local economy. However, parts of the region were adversely impacted by weaker farm earnings stemming from weather problems and sharp drops in livestock prices.

On the economic-policy front, most bankers felt a further cut in interest rates was not needed to stimulate the economy.

When asked what fiscal-policy actions Congress should enact this year, only about 20 percent of the bankers supported a tax cut to stimulate the economy. Another 30 percent said Congress should do nothing, while close to half of the bankers felt Congress should enact policies to reduce the federal deficit. Although they were not explicitly asked whether this deficit reduction should occur by means of tax increases or spending cuts, a significant number of bankers commented that spending cuts were preferred.

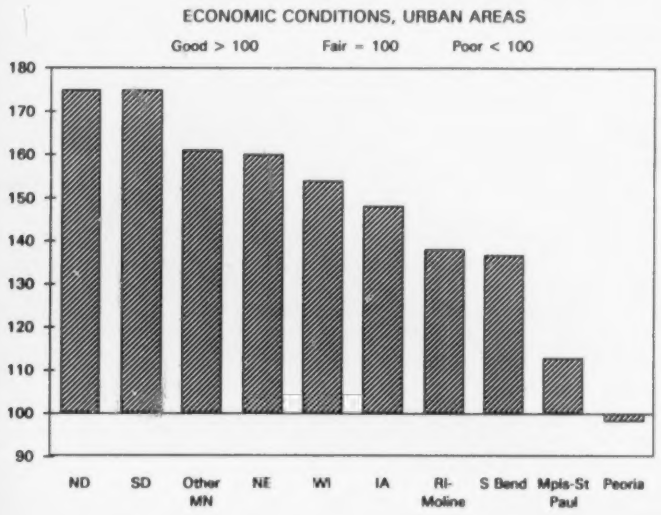
Although the regional economy appears to be on the mend, most bankers expected modest economic growth at best during the next six months. With some notable exceptions, farm earnings are expected to remain under pressure this year.

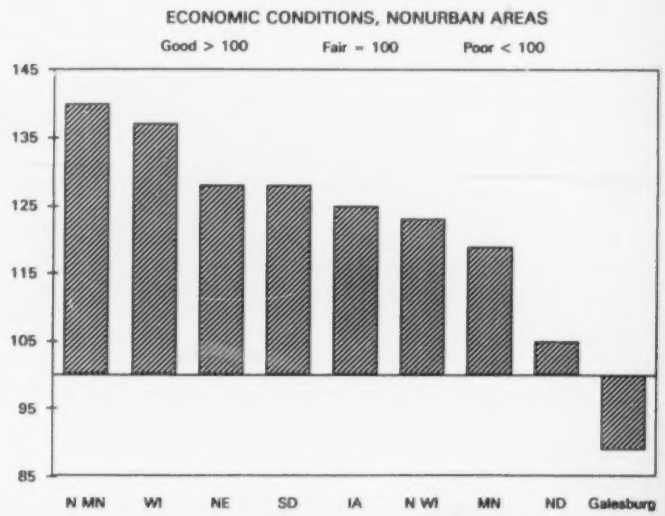
These findings were derived from our 32nd semiannual survey of bankers in Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin and selected cities in Illinois and Indiana. Conducted in early April, this survey drew responses from more than 950 bankers.

Twin Cities Slow Recovery Begins

Noting that the national recession had taken a toll on the local economy, nearly 70 percent of the Twin Cities bankers rated current economic conditions fair, 7 percent poor and only 24 percent good--about the same marks as last fall. While there are growing signs that the local economy is starting to improve, bankers anticipated only minimal growth during the next six months.

The retail sector was rated fair to weak, but some recent improvement was noted. Following last year's 4.9 percent increase, Twin Cities retail sales spurted ahead in early 1992, aided by mild weather. Nevertheless, bankers felt consumers would remain fairly cautious due to lingering concerns about job security.





Metropolitan Areas
*Current Economic Conditions Index**

	Overall Rating	Retail Sales	Home Mkt.	Comm R.E.	Mfg.	Tour -ism	Farm Econ
Iowa MSAs	148	111	177	125	137	84	106
Mpls-St. Paul	113	88	132	49	103	100	111
Other MN MSAs	161	111	178	103	125	125	115
Neb. MSAs	160	145	175	100	160	100	113
N. Dakota MSAs	175	150	150	75	100	175	125
S. Dakota MSAs	175	150	183	150	158	150	125
Wisc. MSAs	154	104	158	92	119	117	95
Peoria	99	100	125	125	25	100	175
R.I.-Moline	138	128	172	100	81	181	111
South Bend	137	100	188	100	137	113	100

Strong > 100 Fair = 100 Weak < 100

Nonurban Communities
*Current Economic Conditions Index**

	Overall Rating	Farm Econ	Main Street	Home Mkt.	Food Process	Mfg.	Tour -ism
Iowa	125	96	95	146	119	120	91
Minnesota	119	101	79	120	120	111	99
N.E. MN	140	91	100	149	105	110	131
Nebraska	128	103	94	140	117	122	95
N. Dakota	105	105	70	76	83	81	64
S. Dakota	128	119	87	118	99	102	109
Wisconsin	137	92	93	134	119	122	120
W. Wisconsin	123	72	91	123	79	123	149
Galesburg, IL	89	111	68	143	156	38	50

* Index derived by subtracting the percentage of bankers reporting weak conditions from percentage reporting strong conditions and then adding 100.

Strong > 100 Fair = 100 Weak < 100

Nonfarm jobs slipped 0.4 percent last year, but payrolls have been gradually creeping upward in recent months. After declining 2 percent last year, manufacturing jobs have increased for three consecutive months. Growth continued at medical-product manufacturers, while employment levels started to improve at firms producing wood products, computer equipment and paper products. Transportation services and health-care jobs continued to expand, while demand strengthened at temporary personnel agencies.

Nearly half of the bankers rated the housing market strong. Last year multifamily housing permits plunged, while single-family building permits were only 3.7 percent higher than 1990's relatively weak level. But home sales during the first quarter of this year are 35 percent ahead of last year's pace.

The troubled commercial real estate sector was rated mostly weak to very weak. The office market is severely overbuilt. With the completion of the last of four new office buildings, office vacancy rates in downtown Minneapolis could jump to the 22 to 25 percent range, depending on how one classifies space that is under lease but available for sublease. A glut of retail space also exists.

Loan demand remains weak, as evidenced by a 3.5 percent decline in loan volume from a year ago, reflecting both borrower and lender caution. Half of the bankers said they tightened credit standards for commercial loans during the past six months, but that's a smaller number than last fall. Only 22 percent tightened credit standards for consumer loans.

Bankers reported that 1.6 percent of all loans were nonperforming, little change from last fall. The median response was 1 percent. Only 19 percent of the bankers expected moderately higher loan charge-offs this year, while 43 percent anticipated moderately to substantially lower loan write-offs.

Iowa Cities Score Well

Iowa cities ranking close to the top among Upper Midwest cities included Des Moines, Cedar Rapids, Marion, Iowa City, Davenport, Cedar Falls, Waterloo and Sioux City, where economic conditions were rated good. But conditions were rated only fair in Ames, Council Bluffs and Dubuque.

Most bankers said the national recession moderately weakened the local economy; employment growth typically slowed from the rapid pace prevailing in the late 1980s. Below-normal crop yields

also hurt some of these Iowa communities. Most of the Iowa bankers expected little change in economic conditions during the next six months.

Bankers rated the housing market strong to very strong. The number of housing permits issued in 1991 typically were among the highest in recent Iowa history. Half of the Iowa bankers rated the commercial real estate market strong, versus 21 percent weak. These were among the highest marks for cities included in this survey.

Retail trade was rated mostly fair to strong. Tourism received high marks in Dubuque and the Quad Cities. The farm economy was rated mostly fair, reflecting below-normal crop yields last year and weaker livestock earnings.

Sioux City didn't feel much of the national recession. Nonfarm employment rose 2.7 percent last year, taking top honors among Iowa cities. Manufacturing showed strong growth, led by food processing and computers. Construction, finance, insurance and services also sported sizable job gains.

Davenport also enjoyed fairly strong job growth, overcoming weakness in farm-equipment manufacturing. Retail sales held up fairly well.

After a number of very strong years, growth in Des Moines nonfarm employment slowed to 1.4 percent in 1991, but finance, insurance, real estate and services remained quite strong. 1991 was a banner year for single-family home construction.

Job growth in Waterloo-Cedar Falls slowed to 1.9 percent last year. Layoffs in durable-goods manufacturing were offset by gains in food processing and other nondurable goods.

The Cedar Rapids economy was considered fairly strong, especially the housing and commercial real estate sectors. A shift toward a service-based economy helped Cedar Rapids weather the national downturn considerably better than past recessions.

Loan volume at urban Iowa banks is up a rather anemic 2 percent from a year ago, but that's still better than the survey average. On average, 1.3 percent of all loans were nonperforming; the median response was 0.8 percent. Half of the Iowa bankers expect to write off fewer loans this year; none anticipate increased charge-offs. Only one-fourth of the bankers tightened credit standards during the past six months.

Wisconsin Cities Healthy

More than 70 percent of the urban bankers in Wisconsin rated economic conditions good and the remainder fair--the second-highest set of ratings in the Upper Midwest and somewhat higher scores than last fall. Only Eau Claire, Fond du Lac, Manitowoc and Superior received fair ratings, while Appleton, Oshkosh, Neenah, Green Bay, Milwaukee, Racine, Madison, La Crosse and Stevens Point were rated good.

Housing was pegged mostly strong, retail trade fair, commercial real estate fair to weak, and farming mostly fair. Manufacturing ranged from strong to weak. Most bankers said the national recession had only moderately weakened the local economy. However, job growth slowed noticeably from previous strong levels. The majority of bankers expected moderately better economic conditions during the next six months.

Bankers from the Appleton-Oshkosh-Neenah area said the national recession had no noticeable impact on the local economy. Most sectors of the economy were rated strong, however, job growth slowed to 1.2 percent last year. While the paper industry continued to support the economy, most of the job growth occurred in service industries.

Green Bay bankers reported fairly brisk housing starts, but commercial real estate scored fair to weak. Employment growth was a fairly robust 2.6 percent last year, gaining strength from health services and stability from the paper industry.

Milwaukee bankers rated retail trade, tourism and manufacturing fair; housing mostly strong; and commercial real estate weak. Employment slipped 1.1 percent last year. Bankers predicted a fairly slow rebound this year.

Aside from a fair rating for retailers, most sectors of the Racine economy received strong appraisals.

Manufacturing was labeled weak in La Crosse, with most of the job growth confined to service industries.

Manufacturing and commercial real estate were considered weak in Eau Claire, but housing activity appeared strong.

Loan volume at urban banks in Wisconsin averaged 1.8 percent more than a year ago; the median response showed a 5 percent gain. Only 35 percent of the bankers tightened credit standards for commercial loans, while most didn't change standards for consumer loans. Nonperforming loans averaged 1.6 percent; the median value was 1 percent. Nearly half of the bankers expected fewer loan charge-offs this year, while 19 percent projected increased loan write-offs.

Midwest Cities Robust

With few exceptions, bankers in Bismarck, Grand Forks, Fargo, Moorhead, Duluth, Rochester, St. Cloud, Sioux Falls, Rapid City, Lincoln and Omaha rated economic conditions good. Each of these cities serve as a major center for shopping, health care and other services. Most of them have enjoyed strong job growth. Urban bankers in North Dakota and South Dakota said the national recession had no noticeable impact on their local areas, while the national downturn only moderately weakened other cities listed above.

South Dakota Metropolitan Statistical Areas (MSAs). Employment jumped 3.8 percent in Sioux Falls last year (tops for the region) and 2.6 percent in Rapid City. Gains were spread across a wide spectrum of industries. Sioux Falls bankers rated the housing market and manufacturing strong, commercial real estate and farming fair and retail fair to strong.

With the exception of manufacturing, business conditions in Rapid City were rated strong. Bankers look forward to another banner year for tourism. However, small retailers face strong competition from discount stores.

North Dakota MSAs. Employment grew nearly 2.5 percent in each of North Dakota's MSAs last year. These cities continue to benefit from an influx of Canadian shoppers.

Residential and commercial construction were rated strong in Bismarck. Retailing and tourism were also good, while the farm economy garnered only a fair rating.

Fargo bankers rated the housing market and farm economy strong, manufacturing and retailing fair and commercial real estate weak.

Grand Forks bankers graded retail trade and tourism strong, farming and housing fair and commercial real estate and manufacturing weak.

Minnesota MSAs (other than Minneapolis/St. Paul). St. Cloud enjoyed 3.3 percent employment growth last year, the best in Minnesota. Manufacturing and housing were rated strong, the retail and farm sectors fair and commercial real estate weak.

After several banner years, Rochester's job growth slowed to 1.9 percent last year. Home construction remained strong, but layoffs pushed manufacturing down to a fair rating. Retail trade and commercial real estate were considered weak.

Duluth bankers rated the housing and commercial real estate markets strong to very strong. Other segments of the economy were scored fair to strong. Retailers are expected to hold the growth built up in recent years from tourism and Canadian shoppers. Construction of a new Northwest Airlines maintenance facility should give Duluth a big boost. The housing market will remain very tight. On the negative side, layoffs have recently been announced at one large hospital.

Nebraska MSAs. Showing some sensitivity to the national business cycle, Omaha's employment was flat last year, interrupting several years of strong growth. The housing market was rated strong to very strong; 1991 was a super year for single-family home construction. Brisk home sales are expected to continue. Commercial real estate, retail trade and the farm economy were classified mostly fair. Overall, bankers expect moderate growth this year.

Lincoln's job growth slowed to 1.5 percent last year. Housing and manufacturing were rated strong, while retail sales, commercial real estate and the farm economy received fair marks. Bankers noted that auto sales are beginning to pick up; residential construction is expected to remain strong.

Credit Conditions in Midwest Cities. During the past 12 months, loans rose 1.2 percent at urban banks in these four states, but there was considerable disparity. One-fourth of the bankers reported declines of 4 percent or more; another one-fourth had increases exceeding 9 percent. Loan demand appeared strongest at urban banks in South Dakota and Nebraska.

Nonperforming loans averaged 1.1 percent. About 62 percent of the bankers expected lower charge-offs this year; only 4 percent anticipated increased charge-offs. One-fourth of the bankers tightened credit standards during the past six months, a considerably smaller percentage than last fall.

Rock Island-Moline Okay

Noting some adverse impact from the national recession, Quad Cities bankers rated economic conditions fair to good. Most bankers predicted moderately stronger conditions during the next six months.

Housing and tourism were pegged strong to very strong; this strength is expected to continue. Commercial real estate ranked fair, but several large projects will be started soon or already are underway. Retailing has held up fairly well, but manufacturing was fair to weak, in part reflecting anemic farm-equipment sales.

Based on the median response, loan volume is 5 percent higher than a year ago, one of the largest gains for the banks surveyed. Nonperforming loans averaged 0.4 percent, among the lowest reported.

Economic Conditions In Nonurban Areas

	Overall Economy		Mainstreet Business	
	Med-Size Towns	Small Towns	Med-Size Towns	Small Towns
Iowa	140.4	122.3	108.8	91.9
Minnesota	135.5	118.9	85.4	80.3
Nebraska	152.0	123.7	112.5	90.4
N. Dakota	109.4	104.1	93.8	66.8
S. Dakota	137.5	126.5	90.6	86.0
Wisconsin	156.3	132.8	100.0	91.7

Strong > 100 Fair = 100 Weak < 100

Housing and Manufacturing Conditions

	Housing Market		Mfg. Sector	
	Med-Size Towns	Small Towns	Med-Size Towns	Small Towns
Iowa	169.1	141.2	121.2	120.0
Minnesota	166.7	114.4	133.8	106.1
Nebraska	158.4	136.1	147.7	114.1
N. Dakota	118.8	69.1	82.1	80.5
S. Dakota	171.9	111.4	110.7	100.7
Wisconsin	165.0	128.3	136.9	118.9

Strong > 100 Fair = 100 Weak < 100

Peoria Should Rebound

Surveyed before workers returned to work at Caterpillar, Peoria bankers rated the economy fair. Nonfarm employment declined 1.7 percent last year, in part due to the prolonged strike at Caterpillar. Home construction fell; local retailers also felt the pinch. However, the farm economy remained strong.

With workers now back on the job at Caterpillar, the local economy should pick up moderately during the next six months.

Bankers reported fairly low levels of nonperforming loans and no change in credit standards.

South Bend Fair

Showing the effects of the national recession, economic conditions were rated fair. Nonfarm employment fell 0.8 percent last year. Single-family home construction was fairly strong, but multifamily construction dipped.

Bankers reported recent signs of improvement in the economy. Further improvement is expected as the national recovery progresses.

Nonurban Communities Show Divergent Trends

Bankers from small and medium-sized communities typically rated their local economy mostly fair to good. Wisconsin topped the list: 54 percent of the bankers scored economic conditions good and only 5 percent poor. Nebraska and South Dakota were essentially tied for second, followed fairly closely by Iowa and Minnesota. North Dakota was further down the list, but showed continued improvement from previously depressed conditions. The weak rating for Galesburg, Illinois, reflects the impact of the strike at Caterpillar, but union employees have now returned to work.

With the exception of bankers in Wisconsin and North Dakota, those surveyed said the farm economy was weaker than a year ago. Some improvement in milk prices from very depressed levels a year ago helped boost overall economic ratings in dairy-dependent Wisconsin. After several years of drought, many North Dakota farmers received a reasonable crop last year, taking some of the stress off farm communities. But some localities still had subpar crops. Improvement in wheat prices from last summer's very depressed levels also brightened spirits, although prices have receded significantly from February's peak.

Below-normal crop yields and weak livestock prices, especially for cattle last fall and now for hogs, weakened Iowa's and to some extent Nebraska's overall economic ratings.

Mainstreet business still was rated fair to weak, showing some improvement in Wisconsin and North Dakota while deteriorating in Galesburg.

Manufacturing industries scored a bit higher than a year ago, except in strike-impacted Galesburg. Some Wisconsin bankers noted improvement in housing-related manufacturing, a strong paper industry and expansion of the manufacturing base in their local communities. Tourism was also rated strong by a fair number of Wisconsin bankers.

Lower mortgage rates improved the housing market throughout the region, but this sector still appeared weak in North Dakota.

Northern Minnesota Bankers Optimistic. Bankers from northern Minnesota reported fairly good economic conditions. The housing market has been quite strong. Retired persons continue to move to the lake region. Job growth is positive. Hibbing and surrounding areas will benefit from construction of the new Northwest Airbus facility.

The taconite industry has been fairly stable. Based on early bookings, northern Minnesota appears headed for a good summer tourist season. The wood products industry is growing, spurring logging activity. The paper industry should pick up as the national recovery progresses. Consequently, many northern Minnesota bankers projected continued improvement in economic conditions during the next six months.

Medium-Sized Towns vs. Small Towns. As shown in the tables on page 4, medium-sized towns were rated stronger than most small towns. Many of these medium-sized towns serve as shopping hubs for surrounding communities. Medical centers, manufacturing industries, food-processing facilities and colleges/technical schools frequently round out the economic base.

Mainstreet businesses in small towns continue to be hurt by dwindling populations and expansion by Wal-Mart, K-Mart and other discount retailers in medium-sized towns. Food processing was fairly strong in the medium-sized towns, while the manufacturing sector was not quite as strong. The housing market appeared quite robust in most medium-sized towns; some improvement was also noted in smaller towns.

Loans are up an average of 5.6 percent from a year ago at nonurban banks. Iowa and Nebraska bankers reported the largest increase, averaging slightly more than 7 percent. Loan demand was even stronger in medium-sized towns in Nebraska (11 percent) and South Dakota (9 percent).

About 1.8 percent of all loans at nonurban banks were nonperforming; the median response was 1 percent. About 20 percent of the bankers expected higher loan charge-offs this year, while 30 percent anticipated reduced charge-offs.

Weak Farm Earnings

The farm sector is weaker than a year ago. Drought reduced crop yields in some localities. Too much rain, which delayed plantings last spring, combined with an early frost hurt crops in other areas, especially in Iowa and portions of Minnesota. Carryover debt is higher than normal for some farmers, forcing them to curtail spending.

Although most farming communities have quite ample

moisture supplies this spring, some pockets of drought persist. Incidences of wheat winter kill were also reported by bankers in South Dakota and Nebraska. A cool, late spring is raising some concerns about this year's planting season.

Bankers also note that margins for crop farmers are pretty thin. Production expenses and family living costs are high relative to commodity prices. It is difficult for cash grain farmers to handle much debt; however, a drop in interest rates has helped.

Returns to cow-calf producers are considerably lower than last spring's very attractive levels. Lower feeder-cattle prices and a rebound in slaughter-cattle prices have hoisted returns to cattle feedlots this spring, but bankers fear slaughter-cattle prices may weaken later this year.

Despite some recent improvement, hog prices remain fairly low; later this year, prices are expected to weaken again. Milk prices are also better than the very depressed levels of last spring, but profits are slim.

Reflecting weather problems last year and weaker livestock prices, approximately 40 percent of the bankers in Iowa, Nebraska and South Dakota predicted a further slump in farm income this year; half that number expected higher farm earnings. In contrast, significantly more North Dakota and Wisconsin bankers expect improved farm income this year.

Overall, bankers estimate that about 11.8 percent of their farm borrowers will experience negative cash flow this year, compared with 13.7 percent last fall and 9.6 percent a year ago.

On average, bankers estimate that about 1.7 percent of their farm customers quite farming during the past 12 months, up from 1.4 percent a year ago, but well below the 3.8 percent peak hit in 1986. The median response held steady at 1 percent. The exit rate remained highest in Wisconsin, reflecting a reduction in the number of dairy farms.

Bankers reported that, on average, 1.7 percent of their farm loans were nonperforming; the median response was 0.5 percent. These figures are basically unchanged from last spring. Based on the median response, Wisconsin and North Dakota banks had the highest level of nonperforming loans.

Farm Customers Having Negative Cash Flow

Survey	Average	Median
Spring 85	34.4%	25.0%
Fall 85	28.7	20.0
Spring 86	20.7	15.0
Fall 86	17.8	10.0
Spring 87	9.2	5.0
Fall 87	7.7	5.0
Spring 88	5.5	5.0
Fall 89	6.9	5.0
Spring 90	5.4	4.0
Fall 90	7.7	5.0
Spring 91	9.6	5.0
Fall 91	13.3	10.0
Spring 92	11.4	7.5

Land Prices Edge Up

Land prices are up an average of 4 percent from a year ago; the median response was 3 percent--one of the smallest gains in recent years. More than half of the bankers located in Wisconsin reported no increase in land prices. According to the median response, land prices edged up only 1 percent in Iowa.

Weather problems last year and lower livestock earnings are important factors behind the slower rise in land prices. In addition, land prices are already quite high relative to income, bidding the profit out of crop farming.

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